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DE RUEHSN #0322/01 0972007
ZNY CCCCC ZZH
P 072007Z APR 09
FM AMEMBASSY SAN SALVADOR
TO RUEHC/SECSTATE WASHDC PRIORITY 0947
INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RHEHNSC/NSC WASHINGTON DC
RHMFISS/HQ USSOUTHCOM MIAMI FL
RUCPDOG/DEPT OF COMMERCE WASHINGTON DC
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C O N F I D E N T I A L SAN SALVADOR 000322

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E.O. 12958: DECL: 04/07/2029
TAGS: [PREL](#) [PGOV](#) [ECON](#) [ETRD](#) [OVIP](#) [SHANNON](#) [ES](#)
SUBJECT: A/S SHANNON DISCUSSES TRANSITION WITH FUNES AND
AVILA

Classified By: CHARGE D'AFFAIRES ROBERT I. BLAU, REASONS 1.4(B,D)

Summary

11. (C) WHA Assistant Secretary Thomas Shannon held separate meetings March 18 with President Sacca, Foreign Minister Marisol Argueta, President-elect Mauricio Funes and ARENA Presidential candidate Rodrigo Avila. He also attended several press conferences and a reception with private business sector representatives. This second cable on the visit focuses on his meetings with President-elect Mauricio Funes, ARENA Presidential-candidate Rodrigo Avila and the private business sector. The first cable reported on A/S Shannon's meeting with President Sacca and the Foreign Minister.

12. (C) Both major parties have approached the transition in a mature fashion, stating they wanted to work with one another. Funes was pleased with Sacca's offer to cooperate in the transition and invitation to attend the Summit of the Americas (SOA). Funes was also eager to work with the USG and said he would attend the March 30 meeting with Vice President Biden. He was especially pleased about his phone call from President Obama. Funes' most immediate priorities are addressing the unemployment problems exacerbated by the current economic crisis and resolving crime and security issues. Avila said ARENA would be a vigilant, but constructive opposition party. End Summary.

Meeting Attendees

13. (U) Legislative Deputy Hugo Martinez (also rumored to be in the running as Funes' Foreign Minister or possibly Ambassador to Washington) and Mauricio Funes' wife Vanda Pignato attended Assistant Secretary Shannon's meeting with President-elect Funes. Rodrigo Avila's campaign manager Cesar Funes (no relation to Mauricio) attended the meeting with Rodrigo Avila. Charge Robert Blau and the Political and Economic Counselors attended all of the meetings with Assistant Secretary Shannon. A/DCM joined the meeting with Avila.

Funes Reiterates Desire to Work with USG

14. (C) The phone call from President Obama to President-elect Mauricio Funes made a huge and positive impression. It was the first thing that Funes mentioned to A/S Shannon. (Note: Funes also mentioned it extensively to the press before and after his meeting with A/S Shannon. End note.) He was particularly pleased that the President asked for his views. A/S Shannon and Funes discussed their shared interest in

maintaining close relations between the USG and the Funes administration. Funes said that he would be delighted to attend the March 30 meeting in Costa Rica with Vice President Biden, and he also looked forward to attending the SOA with President Saca. (Weekend media reported on the Secretary's call to Funes, during the latter's trip to Brazil.)

15. (C) In the meeting with A/S Shannon, Funes complimented Saca on how he and ARENA handled their presidential-election defeat. He was particularly pleased with Saca's willingness to open the government's books and work with them on the transition, as well as Saca's invitations to attend the SICA (Central American Integration Secretariat) meeting and the SOA. He was also surprised by the change in the attitude of the press. During the campaign, he said the press had been more antagonistic, but since he became President-elect they had treated him with much more deference and respect, which was a welcome surprise.

16. (C) Funes said he inherited a polarized country and that he needed to reach broader understandings and agreements in order to move the country forward. A/S Shannon replied that the peaceful and transparent elections demonstrated a confidence and maturity in the country's democratic process and institutions. The Funes campaign, he noted, had taken a more positive tone than his opponents' and the vote for him was a vote against polarization. In response, Funes noted that the division within the legislature (the FMLN has 35 of 84 seats) means that the parties will have to work together. Acknowledging that there will be "discrepancies" between the parties "as there are in the United States," the recent approval by both parties of Inter-American Development Bank loans showed that the FMLN and ARENA could work together. To

underline the point he noted Saca's public statement that if the Funes administration proposes a law that is in the best interests of the country ARENA should support it.

17. (C) The first priority of the Funes administration will be addressing the impact of the economic crisis. Funes said that remittances and exports had dropped, which could create balance of payments problems. He hastened to add that he was not saying anything about dollarization. (Comment. In the past, some FMLN representatives, as well as others including the ARENA Vice Presidential candidate, had criticized dollarization. Throughout the campaign, Funes has said that he has no intention of getting rid of dollarization. End comment.) Funes wants to have a "national dialogue" on the situation and reach agreements on how to recover the "25,000 jobs" the country has already lost and create new jobs. He hopes that projects under the Millennium Challenge Corporation compact could be accelerated and noted that his administration might take advantage of the Standby Agreement with the International Monetary Fund or other financing to stimulate the economy.

18. (C) Funes' other major priority was crime and public security. He said public security was not much of a campaign issue, because ARENA's candidate was the former chief of police and given the serious crime problems in the country it was not in ARENA's interest to focus on the issue. However, he said it was a serious problem that affected the quality of everyone's life in the country. While more police would help, Funes said they have to be adequately trained in investigative techniques, because without those capabilities you cannot get criminal convictions. For those reasons he supported the U.S.-funded International Law Enforcement Academy (ILEA) in El Salvador and the Cooperative Security Location's (CLS) anti-narco-trafficking activities.

19. (C) A/S Shannon said he had just spoken with President Saca about extending the agreement for the CSL for an additional five years. He also said that we would like to review with Funes the Merida Initiative. Funes acknowledged both, stating we share a "common enemy" in that regard. The Charge added that we have several groups within the Embassy that work on security and economic development issues that stand ready to begin work with the Funes administration.

Funes appeared surprise\$il%?]NF|Ew

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he took office, but said he was very encouraged by the offer.

His wife Vanda Pignato, who also attended the meeting, wanted to talk with USAID about women's and family issues. Everyone agreed to follow up on those discussions. A/S Shannon stressed that he came in good faith to continue the excellent relations we had with El Salvador, not only on a government basis, but based on the large numbers of Salvadorans in the United States and our strong cultural and demographic ties.

¶10. (C) In terms of international relations, Funes emphasized that he has not visited Hugo Chavez, but has visited his neighbors. The following day, he was leaving for a week in Brazil where he would meet with President Lula again and he would not be stopping in Venezuela. He joked that ARENA campaign propaganda pictures of him with Hugo Chavez were from a photo taken of him and Chavez when he had interviewed Chavez on a television program years earlier. A/S Shannon said he was asked similar questions by the press at the Foreign Ministry regarding what the USG thought of them FMLN having closer relations with Venezuela and Cuba. Assistant Secretary Shannon said he told the press that the USG's relations with the government of El Salvador would not be conditioned upon El Salvador's sovereign decisions about its foreign relations. He added that the USG and El Salvador had many common interests.

Avila Taking Defeat Gracefully

¶11. (C) A/S Shannon complimented Avila on his campaign and the maturity he demonstrated in accepting defeat. Avila said he meant it when he said that ARENA should work with the Funes government, but that they would be a "vigilant and constructive" opposition party and not be obstructionists. Avila was concerned about the state of the economy and about narco-trafficking in the region. On the former, he said the country needed to create more employment as alternatives to migration and gangs. He said his prior police experience made him well-qualified to talk about the problems of narco-trafficking in the region. He was very worried, noting that the "Mexican drug lords already control Guatemala" and that if the problem was not urgently addressed they will get

even stronger. A/S Shannon said those concerns were part of the rationale behind the Merida Initiative. Avila said he would continue fighting these battles and that ARENA would continue to be the closest ally for the United States.

Business Sector in Shock but Willing to Engage

¶12. (C) In a reception of twenty plus business leaders and economists from the both major parties and independents, those from the losing side said they were still processing ARENA's loss at the polls. Former Minister of Economy Miguel Lacayo said that some business owners had been holding off on layoffs to help ARENA win the election. Now that ARENA lost, he thought companies would start layoffs soon. The Fruit of the Loom representative told Charge that they would lay off 3,000 employees that week. Most of the group was from the right and they all acknowledged the need to work with the new Funes administration. Miguel Menendez, part of the "Friends of Mauricio" group, arrived late, stating he had watched the news reports of A/S Shannon's visit and how grateful he was for the strong support the USG has shown for Funes, both in the phone call from President Obama and in A/S Shannon's visit just three days after the election. "Friend of Mauricio" Carlos Caceres echoed these remarks, adding that it did not go unobserved that Charge was the first to congratulate Funes on election night.

U.S. Engagement Greatly Appreciated

¶13. (U) In his press conferences with President Saca, Foreign

Minister Argueta and at the Embassy, A/S Shannon emphasized the long and extensive relationship between the United States and El Salvador. He also congratulated the Salvadorans for the peaceful and mature expression of the democratic process in the recent elections. Those comments made front-page and television news headlines, as did A/S Shannon's meeting with Funes and the President's telephone call to Funes. Salvadorans also said they appreciated the positive and visible expression of high-level USG support for the country, especially so soon after the election which shifted power to the opposition party.

14. (U) Assistant Secretary Shannon has cleared this cable.
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